Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Bridging the Digital Divide for Low-Income Consumers	)	WC Docket No. 17-287
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Telecommunications Carriers Eligible for Universal Service Support	)	WC Docket No. 09-197
	)	

COMMENTS OF VERIZON

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I. Introduction and Summary

Verizon supports the Commission's goal of modernizing the Lifeline program so that it can effectively and efficiently help close the digital divide for low-income consumers. Broadband Internet access has become increasingly essential for schoolwork, health care, employment, and many other aspects of our daily lives. We also recognize that the Commission is charged with eliminating waste, fraud, and abuse in the Lifeline program and ensuring that limited universal service resources are used to benefit low-income subscribers. In recent years, the Commission has taken meaningful steps to root out bad actors, particularly with the adoption of the National Verifier, which will close one of the primary avenues for fraud in the Lifeline program. It makes sense to defer consideration of more significant changes to the Lifeline program until these targeted reforms have been fully implemented.

Many Americans lack broadband at home, and Verizon recognizes that affordability is one of several factors that can create a barrier to broadband adoption. To help address the affordability challenge, Verizon has elected to participate in the Commission's broadband Lifeline program in all

[1] The Verizon companies participating in this filing are the regulated, wholly owned subsidiaries of Verizon Communications Inc.

areas in which Verizon offers Fios Internet access.[2] Qualifying low-income consumers now have the option to use their Lifeline benefit for Fios Internet access services, whether that service is standalone or part of a bundle. Because Verizon decided that it would offer Lifeline on all eligible Fios speeds, low-income consumers can now obtain discounted fiber optic-based broadband Internet access services at speeds far above the Commission's fixed broadband minimum service standard of 15 Mbps,[3] including Verizon's Fios Gigabit Connection service.

Verizon also supports the Commission's goal of effectively addressing ongoing waste, fraud, and abuse in the Lifeline program. The best way for the Commission to prevent waste and fraud in the Lifeline program is to complete the implementation of the National Verifier. By taking decisions about eligibility out of the hands of carriers, the National Verifier will ensure that only eligible applicants obtain Lifeline service. The Commission should also adopt its proposal to shift Lifeline audits to a fully risk-based approach, which would target audits to the carriers that pose the greatest risk to the integrity of the Lifeline program.

Until it completes the implementation of the National Verifier, the Commission should limit further changes to the Lifeline program. Since 2011, the Commission has revised the Lifeline rules almost every year, in the *2011 Duplicative Program Payments Order*,[4] the *2012 Lifeline Reform Order*,[5] the *2015 Lifeline Order*,[6] the *2016 Lifeline Order*,[7] and most recently in the *2017 Lifeline*

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[2] Letter from Alan Buzacott, Verizon, to Ms. Marlene H. Dortch, FCC, *Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42 (Dec. 2, 2016). Under the Commission's rules, participation in the broadband Lifeline program is optional for Verizon everywhere in its incumbent LEC territory.

[3] *Wireline Competition Bureau Announces Updated Lifeline Minimum Service Standards and Indexed Budget Amount*, Public Notice, 32 FCC Rcd 5087 (2017).

[4] *Lifeline and Link Up Reform and Modernization*, *et al.*, Report and Order, 26 FCC Rcd 9022 (2011) ("*2011 Duplicative Program Payments Order*").

[5] *Lifeline and Link Up Reform and Modernization*, *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656 (2012) ("*2012 Lifeline Reform Order*").

Order.[8] Each order required service providers to make significant changes to their procedures and systems. Additional changes to the program at this time are premature and could divert carrier and USAC resources better targeted to the successful implementation of the National Verifier.

Once the National Verifier is fully implemented, the Commission will be better able to evaluate the other proposals in the *NPRM*. In particular, the Commission will be better able to evaluate the proposed changes to the Lifeline budget when the National Verifier has eliminated the remaining ineligible consumers from the Lifeline customer rolls and the Commission has gained additional experience with broadband Lifeline.

The proposed elimination of resellers from the Lifeline program is not necessary to address waste, fraud, and abuse, and is unlikely to materially improve the business case for broadband deployment. At a minimum, the Commission should defer its evaluation of the role of resellers in the Lifeline program until it has completed the implementation of the National Verifier.

II. The Commission Should Complete the National Verifier Before Considering Significant, Additional Reforms to Lifeline

The Commission should focus on completing the National Verifier by the December 31, 2019 target established in the *2016 Lifeline Order*.[9] By implementing the National Verifier, the Commission will eliminate most opportunities for waste, fraud and abuse.

The National Verifier will "close one of the main avenues historically leading to fraud and

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[6] *Lifeline and Link Up Reform and Modernization*, *et al.*, Second Further Notice of Proposed Rulemaking, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order, 30 FCC Rcd 7818 (2015) ("*2015 Lifeline Order*").

[7] *Lifeline and Link Up Reform and Modernization*, *et al.*, Third Report and Order, Further Report and Order, and Order on Reconsideration, 31 FCC Rcd 3962 (2016) ("*2016 Lifeline Order*").

[8] *Bridging the Digital Divide for Low-Income Consumers*, *et al.*, Fourth Report and Order, Order on Reconsideration, Memorandum Opinion and Order, Notice of Proposed Rulemaking, and Notice of Inquiry, 32 FCC Rcd 10,475 (2017) ("*2017 Lifeline Order*" or "*NPRM*").

abuse in the Lifeline program: Lifeline providers determining subscriber eligibility."[10] As the Commission explained in the *2016 Lifeline Order*, "taking determination of eligibility out of the hands of the same parties that stand to benefit financially from a finding of eligibility is critical to preventing waste, fraud, and abuse."[11] Because responsibility for verifying eligibility will shift from service providers to the National Verifier, full implementation of the National Verifier will "remove many opportunities for Lifeline providers to inappropriately enroll customers."[12]

Implementation of the National Verifier will also substantially reduce the administrative and compliance costs borne by Lifeline service providers. Service providers will no longer incur the costs of reviewing applications, verifying applicant identity and eligibility documentation, and conducting the annual recertifications of subscribers. This will reduce the overall cost of the Lifeline program because the program's administrative functions will be centralized in the National Verifier rather than inefficiently dispersed among multiple service providers and multiple state-specific eligibility systems.[13]

USAC has already made significant progress towards the *2016 Lifeline Order*'s goal of rolling out the National Verifier in all states by December 31, 2019. During 2017, USAC developed the *National Verifier Plan*, which provides a detailed blueprint for implementing the National Verifier, including the system architecture, staffing requirements, and risk management strategy.[14] USAC has engaged a systems integrator and business process outsourcing vendor; entered into a computer

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[9] *2016 Lifeline Order*, ¶ 164.

[10] *Id.* ¶ 129.

[11] *Id.* ¶ 7.

[12] *Id.*

[13] *Id.* ¶ 130.

[14] USAC, *Lifeline National Verifier Plan* (July 2017), https://www.usac.org/_res/documents/li/pdf/nv/Draft-National-Verifier-Plan.pdf ("*National Verifier Plan*").

matching agreement with the Department of Housing and Urban Development; and announced the six states that will be included in the first phase of the National Verifier rollout.[15]

In the *NPRM*, the Commission seeks comment on ways to encourage states to work cooperatively with USAC to integrate their state databases into the National Verifier without unnecessary delay.[16] As the Commission notes, a "strong cooperative effort between the Commission and its state partners is critical" because the most efficient way for the National Verifier to confirm an applicant's eligibility is with electronic verification, *i.e.*, a connection between the National Verifier and state databases of participants in Lifeline-qualifying programs such as Medicaid.[17] If USAC is unable to obtain access to those databases, the National Verifier must verify eligibility using less efficient manual review of eligibility documents presented by the applicant, such as the applicant's Medicaid card.

In its most recent update of the *National Verifier Plan*, USAC reported that it is making "strong progress" in establishing computer matching agreements with a number of states, and that it is "following an iterative, consultative process to build a pipeline of states to launch the National Verifier."[18] In order to ensure that USAC is able to sustain its initial progress, the Commission should direct USAC to report to the Commission on a regular basis regarding the status of its discussions with each state, and should also direct the Office of Managing Director and the Wireline Competition Bureau to assist USAC in those discussions.

The Commission should follow the National Verifier rollout timeline adopted in the *2016 Lifeline Order* even if electronic verification is not feasible in certain states or for certain qualifying

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[15] *See* USAC, *High Cost and Low Income Committee Briefing Book*, at 206-211 (Oct. 23, 2017), http://www.usac.org/_res/documents/about/pdf/bod/materials/2017-10-hcli-briefing-book.pdf.

[16] *NPRM* ¶ 60.

[17] *Id*. ¶¶ 60-61.

[18] *National Verifier Plan* at 62, 98.

programs. The Commission anticipated when it created the National Verifier that manual review would be required in some cases.[19] The National Verifier can begin operation in a state using manual review for some qualifying programs, and then transition to electronic verification once USAC negotiates an agreement with the state and establishes connections to the state databases. By moving ahead with the National Verifier, the Commission can rapidly address ongoing waste, fraud, and abuse in the Lifeline program.

III. The Commission Should Adopt a Purely Risk-Based Audit Program and Targeted Measures to Address Waste, Fraud, and Abuse in the Lifeline Program

In addition to completing the National Verifier, the Commission should adopt its proposal to shift to a purely risk-based approach for identifying which carriers to subject to Lifeline audits.[20] USAC's current audit program includes risk-based audits, but also includes mandatory biennial audits of all Lifeline providers receiving more than $5 million in program support in a given year.[21] The Commission adopted the mandatory biennial audit requirement in the *2012 Lifeline Reform Order*.[22]

The mandatory biennial audit requirement imposes significant and disproportionate burdens on carriers that in many instances present little risk to the program. Each mandatory biennial audit costs Verizon – which receives only $12 million in Lifeline support per year – several hundred thousand dollars, including both the cost of the independent auditor and the cost of employee time for producing records and responding to auditor inquiries. One reason that the biennial audits are costly is that they cover all Lifeline rules and do not focus on the specific issues that present the greatest risk to the

[19] *2016 Lifeline Order* ¶¶ 133-135.

[20] *NPRM* ¶ 84.

[21] *Id.* ¶ 85.

[22] *2012 Lifeline Reform Order* ¶ 804.

integrity of the Lifeline program.[23]

As the Commission explains in the *NPRM*, eliminating the mandatory biennial audit requirement and shifting to a purely risk-based approach will better target waste, fraud, and abuse in the program and will result in more efficient use of administrative resources.[24] A purely risk-based approach will enable the Commission to "target potential violations" and use a wider range of risk factors that "would be more responsive to identified program risks."[25]

In addition to revising the Lifeline audit program, the Commission could take other targeted steps to address waste, fraud, and abuse. For example, the Commission should adopt its proposal to direct USAC to compare subscribers to the Social Security Master Death Index during the enrollment and recertification process, both in National Verifier states and pre-National Verifier states.[26] This step would address Government Accountability Office's recent finding that Lifeline benefits were provided to several thousand individuals that had been recorded as deceased.[27]

In light of the imminent rollout of the National Verifier, some of the other changes to Lifeline procedures proposed in the NPRM would not be cost effective. For example, the *NPRM*'s proposal to require carriers to submit dispute resolution documentation to USAC would require both carriers and USAC to make extensive changes to their procedures and systems,[28] but those revised procedures and

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[23] *See* 47 CFR § 54.420 ("Companies … must obtain a third party biennial audit of their compliance with the rules in this subpart."); *Wireline Competition Bureau Announces Release of Final Lifeline Biennial Audit Plan*, Public Notice, 28 FCC Rcd 3568 (WCB 2014) ("*Lifeline Biennial Audit Plan*").

[24] *NPRM* ¶ 84.

[25] *Id.* ¶ 86.

[26] *Id.* ¶ 101.

[27] *See* GAO, *Telecommunications: Additional Action Needed to Address Significant Risks in FCC's Lifeline Program*, GAO-17-538, at 43 (2017), http://www.gao.gov/products/GAO-17-538.

[28] *NPRM* ¶¶ 95-96. "Dispute resolution" occurs, for example, when the National Lifeline Accountability Database cannot automatically verify a subscriber's identity. Subscribers may submit additional documents verifying their identity to the ETC, which reviews the documents (but, under

systems will no longer be needed once the National Verifier is operational. In the short interim period before the National Verifier is operational, it would be more cost effective for the Commission to address concerns about the dispute resolution process by directing USAC to conduct targeted risk-based reviews of carriers' dispute resolution requests.[29] Similarly, it would be more cost effective for the Commission to strengthen the recertification process once responsibility for recertification has transitioned to the National Verifier, rather than impose new short-term obligations on carriers.[30]

IV. The Commission Should Not Discontinue Lifeline Support for Resellers

The Commission should not adopt its proposal to discontinue Lifeline support for services provided by resellers. Since the entry of resellers into the Lifeline market in 2009, low-income consumers have benefited from resellers' innovative Lifeline plans and from Lifeline resellers' focus on serving low-income consumers. An estimated 7.3 million low-income consumers – about 70 percent of Lifeline customers – currently obtain Lifeline service from resellers.[31] The proposed exclusion of resellers from the Lifeline program would be highly disruptive to existing Lifeline beneficiaries, and is at odds with the Commission's goal of supporting affordable voice telephony and high-speed broadband for low-income households.[32]

The Commission suggests that discontinuing Lifeline support for resellers could help eliminate

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current procedures, does not submit the documents to USAC) and then processes the dispute resolution with USAC.

[29] *Id.* ¶ 101.

[30] *Id.* ¶ 97. If the Commission adopts this proposal, it should note that USAC will be responsible for obtaining and reviewing the eligibility documentation if the ETC has elected USAC to perform the recertification on its behalf.

[31] *See* Letter from Shawn H. Chang, Wiley Rein LLP, to Marlene H. Dortch, FCC, *Bridging the Digital Divide for Low-Income Consumers*, WC Docket No. 17-287, Attach. at 4 (Nov. 9, 2017).

[32] *See NPRM* ¶ 1. For example, the Lifeline services that many resellers offer without a monthly charge serve the "truly neediest of the population" who do not have bank accounts. *See 2012 Lifeline Reform Order* ¶¶ 266-267.

waste, fraud, and abuse in the Lifeline program.[33] However, many of the concerns about the increase in waste that accompanied the expansion of the Lifeline program after 2009 have been addressed by the *2012 Lifeline Reform Order*, which strengthened the application review requirements and established the National Lifeline Accountability Database to prevent duplicate subscriptions, and the *2016 Lifeline Order*, which established the National Verifier. Since peaking at $2.1 billion per year in 2012, Lifeline disbursements have fallen steadily to $1.2 billion per year.[34] Given the significant role that Lifeline resellers currently play in serving low-income consumers, the Commission should address any remaining concerns about waste in the Lifeline program by completing the National Verifier and targeting Lifeline audits to high-risk carriers, rather than by discontinuing support for resellers. At a minimum, the Commission should complete the implementation of the National Verifier before reassessing the role of resellers in the Lifeline program.

The Commission also suggests that limiting Lifeline support to facilities-based broadband service may improve the business case for deploying facilities to serve low-income households.[35] Verizon agrees that the Commission's universal service programs should encourage investment in broadband-capable networks.[36] However, discontinuing support to resellers would undercut the main purpose of the Lifeline program, which is to address affordability.[37] Moreover, restricting Lifeline support to facilities-based carriers is unlikely to materially improve the business case for broadband deployment in high-cost areas, given that Lifeline consumers contribute revenue to the underlying

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[33] *See NPRM* ¶ 68.

[34] USAC, *Quarterly Low Income Disbursement Amounts by Company – 3Q2017*, 2018 First Quarter Filings, *follow* http://www.usac.org/about/tools/fcc/filings/2018/q1.aspx *to* L104 (showing August, 2017 Lifeline disbursements of $104.97 million).

[35] *See NPRM* ¶ 65.

[36] *Id.* ¶ 63.

[37] *Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd 8776 (1997) ("Federal Lifeline and Link Up programs … were designed to make residential service more affordable for low-income consumers.")

facilities-based carrier regardless of whether it serves the customer directly or via resale.[38] Moreover, underlying facilities-based carriers can benefit from resellers' focus on marketing to low-income consumers. In the challenging areas that currently lack broadband, the Commission can more effectively foster broadband deployment with dedicated support from the high cost fund.

V. The Commission Should Defer Its Review of the Lifeline Budget Mechanism

The Commission should carefully consider the impact of its proposal to modify the Lifeline budget and adopt a "self-enforcing" budget mechanism.[39] The proposed mechanism would replace the *2016 Lifeline Order*'s budget framework, which is not self-enforcing because it does not automatically curtail disbursements beyond the budget amount. Under the *2016 Lifeline Order*'s framework, the Wireline Competition Bureau is required to submit a report to the full Commission whenever Lifeline disbursements exceed 90 percent of the program budget, which the Commission set initially at $2.25 billion per year.[40]

Verizon agrees that the Commission should design the Lifeline program to "prevent undue burdens on the ratepayers who contribute to the program."[41] However, the Commission will be better able to determine the appropriate Lifeline budget once it has fully implemented the National Verifier and gained additional experience with the broadband Lifeline program. Lifeline program disbursements have been declining since 2012 and may fall further once the National Verifier is implemented and begins to weed out the remaining ineligible customers. In addition, because the Lifeline program has only just begun to support broadband, it would be difficult for the Commission to assess at this time the tradeoffs between the burden on contributors and the Commission's goal of

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[38] *See 2015 Lifeline Order* ¶ 62.

[39] *NPRM* ¶ 105.

[40] *2016 Lifeline Order* ¶ 10.

closing the digital divide.

The proposal for a "self-enforcing" budget also raises implementation concerns. For example, the *NPRM*'s proposal to reduce the Lifeline benefit amount whenever disbursements reach the cap, and to measure compliance with the fund cap every six months,[42] could require service providers to make semi-annual changes to Lifeline bills.

VI. The Commission Should Make Clear Frozen Support Recipients Are Not Required to Provide Broadband Lifeline

The Commission should make clear that any revisions to the broadband Lifeline program that it adopts in this proceeding do not impose a broadband Lifeline obligation on recipients of frozen support. The *2016 Lifeline Order* specifically excluded Eligible Telecommunications Carriers (ETCs) that receive frozen support – whether incumbent LECs or competitive ETCs – from any obligation to provide Lifeline-supported broadband service.[43] Because frozen support is an interim program that is due to be eliminated, the Commission found that frozen support recipients should not be required to implement new processes to offer broadband Lifeline.[44] Frozen support recipients may, however, elect to provide broadband Lifeline, and remain eligible for broadband Lifeline support to the extent that they elect to provide that service.[45]

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[41] *NPRM* ¶ 105.

[42] *Id.* ¶ 106.

[43] *2016 Lifeline Order* ¶ 311.

[44] *See id.*

[45] *Id.* As is discussed above, Verizon – a frozen support recipient – has elected to provide broadband Lifeline service throughout its Fios territory.

VII. Conclusion

In order to address waste, fraud, abuse in the Lifeline program, the Commission should complete the implementation of the National Verifier and transition Lifeline audits to a fully risk-based approach. The Commission should not make other significant changes to the Lifeline program until the National Verifier is fully implemented.

Respectfully submitted,

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